

Message Text

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TO AMEMBASSY MEXICO

C O N F I D E N T I A L STATE 190739

FROM COMMERCE

E.

O. 11652: ADS, DECLAS 9/21/74

TAGS: BEXP, MX

SUBJ: PROPOSED U.S. CONSORTIUM APPROACH TO ALTOS HORNOS

STEEL MILL (AHMSA) EXPANSION.

1. MANAGEMENT AT KOPPERS AND MCKEE SOMEWHAT CONCERNED AS TO REASON FOR POSTPONEMENT OF BIDDERS BRIEFING. WITH STRONG POSSIBILITY THAT MEXICO HAS DISCRIMINATED AGAINST U.S. INTERESTS IN THE LAS TRUCHAS BIDDING, THEY FEAR ALTOS HORNOS IS BEING LESS THAN GENUINE IN THIS CASE. OF PARTICULAR CONCERN IS THE POSSIBILITY OTHER FOREIGN COMPANIES WITH HEALTHY SUPPORT FROM THEIR GOVERNMENTS ARE ENGAGED IN PRIVATE NEGOTIATIONS.

2. PADILLA OF ALTOS HORNOS INFORMS MCKEE THAT DELAY IS BECAUSE THEY ARE CONSIDERING A MODIFICATION IN PROPOSAL
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FOR STRUCTURING THE EXPANSION ALONG THE LINES OF A NUMBER

OF ENGINEERED PACKAGES RATHER THAN A TURNKEY JOB. THIS PROPOSAL IS REPORTED TO BE CONTAINED IN A CONSULTING STUDY RECENTLY PERFORMED BY PAPE, FORMER MANAGING DIRECTOR OF AHMSA. THIS REASON LACKS CERTAIN CREDIBILITY GIVEN THE POLITICAL FACTORS INVOLVED IN PAPE'S DEPARTURE AND AHMSA'S REORGANIZATION.

3. IN VIEW OF FOREGOING, EMBASSY REQUESTED APPROACH AHMSA MANAGEMENT AND AUTHORITATIVE GOVERNMENT OFFICIALS WITH FOLLOWING QUESTIONS: 1.) WHY WAS BIDDERS' BRIEFING POSTPONED? 2.) WILL U.S. FIRMS BE INVOLVED IN BIDDING? AND 3.) WHEN WILL BIDDERS' BRIEFING TAKE PLACE? OUR PRINCIPAL OBJECTIVE IN ASKING THESE QUESTIONS IS TO UNDERLINE OUR DESIRE TO PARTICIPATE IN THIS PROJECT AND OUR WILLINGNESS TO WORK CLOSELY WITH U.S. INDUSTRY TO ASSURE THE MOST RESPONSIVE APPROACH POSSIBLE.

4. USG ACTION WITH REGARD TO MEXICO AND TIGHT STEEL SCRAP SUPPLY SITUATION MIGHT OFFER EMBASSY OPPORTUNITY TO HIGHLIGHT OUR CONCERN TO MAINTAIN MEXICO'S TRADITIONAL SUPPLY. EMBASSY MAY WISH TO USE SUCH ARGUMENTS, AS YOU FEEL APPROPRIATE, TO SPARK A RECIPROCAL RECOGNITION OF US INTERESTS IN MEXICO'S STEEL EXPANSION.

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